

# State Financial Management

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## Mission

To provide safe, prudent, efficient, and proper budgeting and management of public funds.

## Summary of Activities

The **Auditor of State** maintains and oversees the financial records of the State of Indiana, as directed by appropriate accounting standards and the Indiana Code. The Auditor of State's office also provides services to other agencies and branches of government regarding financial issues and analysis. The Auditor of State's office pays the state's bills and manages the state's payroll.



**Connie Kay Nass**  
Auditor of State



**Tim Berry**  
Treasurer of State

The **Treasurer of State** is responsible for the safekeeping and investment of monies paid into the State Treasury. The Treasurer's office invests and accounts for over \$3.5 billion, including the state general fund and over 70 trust funds, and manages and invests the Public Deposit Insurance Fund.

The **State Budget Agency** oversees the development, enactment, and implementation of the state budget. As part of this process, the Budget Agency develops a comprehensive recommendation that is submitted to the General Assembly. The Budget Agency also uses its allotment and accounting management responsibilities to ensure that the state budget is implemented in accordance with the appropriations act and the Governor's fiscal priorities. In addition, the Budget Agency provides ongoing fiscal and policy analysis to the Governor and the General Assembly on policy issues

and proposals. The Budget Agency is a major part of the state's revenue forecasting process and provides forecasts of a variety of revenue sources that aid in budget development.

The **State Board of Accounts** audits the financial statements of all governmental units within the state, including cities, towns, utilities, schools, counties, license branches, state agencies, hospitals, libraries, townships, and state colleges and universities. Investigatory audits are performed to reveal fraud or noncompliance with local, state and federal statutes. The Board of Accounts also prescribes forms and uniform accounting systems, provides training for public officials and employees, publishes manuals, newsletters and technical bulletins, and offers consulting services to officials at the state and local levels.

## External Factors

State financial management can be strongly affected by differences between forecast and actual revenue collections, and between expenditure pressures and budgeted appropriations. Budgets are developed and enacted 24 to 36 months prior to the end of the budget period. As history has indicated, the state's – and the nation's – economy can change drastically during that period of time. As a result, both the amount of state revenue and the need for state services can change as well.

The Treasurer's ability to maximize state interest earnings is affected by changing interest rates and financial markets, while changes in accounting standards affect the audit practices of the State Board of Accounts and, thereby, all state and local units of government. The technology, staffing, and equipment needs of the Auditor of State are determined by the requirements imposed upon it by the General Assembly, state agencies, and local governmental units.

Funding the State share of Medicaid assistance and Department of Correction needs are two of the challenges the State administration confronts in managing the budget for Fiscal Years 2004 and 2005. The General Assembly effectively maintained Medicaid appropriations for Fiscal Years 2004 and 2005 at Fiscal Year 2003 levels and limited growth in Correction appropriations for the budget biennium. However, \$168.0 million of new federal aid will benefit the Medicaid program in Fiscal Year 2004. In addition, another \$103.1 million of federal aid is expected to be available in Fiscal Year 2004 for limited budget relief.

## Indiana Department of Financial Institutions

### Evaluation and Accomplishments

The strong performance of the organizations charged with state financial management have helped to mitigate some of the effects of a recession that resulted in two consecutive years of declining revenues while still maintaining the state's fiscal integrity. The state's shadow bond rating has continued to remain at Aa1 / AA+, the highest level in the history of the state and only one level below AAA, the highest rate possible. In FY 2001, the Treasurer generated interest earnings on the state's investment portfolio of over \$160 million. Tighter federal audit requirements have been met and local government audit reports have been streamlined. By developing both technical resources and computer applications, financial transactions can be processed faster and financial information can be made available to state agencies and local political subdivisions in a more timely and efficient manner.



### Plans for the Biennium

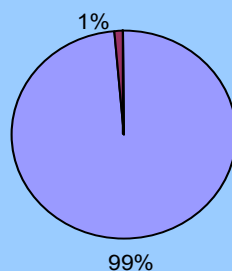
The State Budget Agency will continue its efforts to provide better information, analysis, and forecasting to the Governor and the General Assembly. The Budget Agency will continue to monitor allotments and capital expenditures for each agency. Financial management agencies will continue to improve support to state and local governments, allowing them to be more efficient, effective, and responsive to the changing needs of Hoosiers. The Treasurer will continue to improve upon the state's investment performance.

Program: 0910

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$25,714,676	\$226,532,972	\$201,832,641	\$27,540,277	\$27,540,277

**Sources of Funds  
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds  
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other

